



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 5, 2000
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AT
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SOTHEBY'S AND FORMER TOP EXECUTIVE AGREE TO PLEAD GUILTY TO PRICE FIXING ON COMMISSIONS CHARGED TO SELLERS AT AUCTIONS

Sotheby's Agrees to Pay \$45 Million Criminal Fine

WASHINGTON, D.C. -- Sotheby's Holdings Inc.--one of the world's largest auction houses--has agreed to plead guilty and pay a \$45 million criminal fine for fixing the price of commission rates charged to sellers of art, antiques, and other collectibles at auctions, announced the Department of Justice today. The company's former president and chief executive officer, Diana D. Brooks, has also agreed to plead guilty to price fixing charges, and will cooperate with the Department's ongoing antitrust investigation.

In separate one-count felony charges filed today in the U.S. District Court in Manhattan, Sotheby's and Brooks were charged with participating in a conspiracy lasting more than six years, from April 1993 to December 1999, to suppress and eliminate competition by fixing prices in violation of the Sherman Act. The conspirators also agreed to limit or eliminate other inducements to sellers, such as interest-free loans and charitable donations.

Sotheby's and Christie's International, its chief competitor, control more than 90 percent of the world's auction business. They provide substantially the same services to sellers and, prior to the introduction of the fixed, non-negotiable commission rates, they competed primarily on the basis of price, undercutting each other's offers to sellers. As a result of the conspiracy, sellers lost their principal bargaining tool.

“Those charged today were engaged in classic cartel behavior—price fixing, pure and simple,” said A. Douglas Melamed, Acting Assistant Attorney General for the Antitrust Division.

“These are serious crimes, and the Antitrust Division will prosecute them wherever they occur.”

Today’s cases, the first to arise out of a federal investigation into auction house collusion, charge that Sotheby’s, Brooks and their co-conspirators carried out the conspiracy by participating in meetings and conversations in the United States and elsewhere to discuss sellers’ commissions. At those meetings the conspirators:

- agreed to raise pricing by fixing sellers’ commissions;
- agreed to publish non-negotiable sellers’ commission rate schedules;
- agreed to the order in which each co-conspirator would publish its non-negotiable sellers’ commission schedule;
- issued sellers’ commission schedules in accordance with the agreements reached;
- exchanged customer information for the purpose of monitoring and enforcing adherence to the non-negotiable seller’s commission schedules;
- agreed not to make interest-free loans on consignments from sellers; and
- agreed not to make charitable contributions as part of pricing to sellers.

This pricing scheme impaired the ability of sellers to achieve the best price terms through negotiation, as had been possible under the conspirators’ previous commission structures.

The Department also confirmed the announcement by Christie’s International, one of the world’s largest auction houses, that it has been cooperating with the investigation under the Antitrust Division’s Corporate Leniency Program. Under the Leniency Program, a company may qualify for protection from criminal prosecution if it voluntarily reports its involvement in a crime and satisfies certain other criteria.

Sotheby’s and Brooks are charged with violating Section One of the Sherman Act which carries a maximum fine of \$10 million for corporations, and a maximum penalty of three years imprisonment and a \$350,000 fine for individuals. The maximum fine for both corporations and individuals may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Sotheby's \$45 million fine, which is payable over five years, is subject to court approval. Brooks' sentence will be determined by the court.

Sotheby's Holdings Inc. is headquartered in New York, New York and provides auction services worldwide. Its revenues from sellers' commissions during the period charged in the court papers were in excess of \$225 million in the U.S.

The ongoing investigation of the auction business is being conducted by the Antitrust Division's New York Office and the Federal Bureau of Investigation. Anyone with information concerning collusion in the auction business should contact the Antitrust Division's New York Office at (212) 264-0650 or the New York Office of the Federal Bureau of Investigation at (212) 384-1000.

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